PARTNERSHIP RISKS

ISSUES, SOLUTIONS AND EXAMPLES OF GOOD PRACTICE

OUTCOMES OF THE ALARM NORTH EAST WORKSHOP
ON PARTNERSHIP RISKS
MAY 2008

ALARM
THE NATIONAL FORUM
FOR RISK MANAGEMENT
IN THE PUBLIC SECTOR

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CONTENTS

i. ALARM

ALARM is the National Forum for Risk Management in the Public Sector. It is the premier public risk management body in the UK, representing over 1800 professional practitioners from a broad range of public service organisations, including local authorities, the police and fire & rescue services, housing associations, the NHS and national government departments and agencies.

One of ALARM's key aims is to promote professionalism and best practice in risk management. This document is one of a series commissioned by ALARM from Glasgow Caledonian University.

ii. ALARM North East

The Partnership Risks Workshop was modelled on similar successful events that led to publication of guidance and good practice notes on fleet management, business continuity management and absence management (available via the Publications page on the ALARM website http://www.alarm-uk.org/publications.aspx)

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PARTNERSHIP RISKS
1. INTRODUCTION

Broadly, partnering is the collaboration between parties with a shared interest, and partnering arrangements are often put in place to address specific issues or to manage particular projects. Partnership arrangements take a variety of forms: full integration as mergers or joint ventures; procurement agreements; joint service delivery; co-ordination of activities; or information sharing. Public services and projects are increasingly being delivered through partnerships between public organisations and also between public and private bodies, e.g. tenders; framework agreements; and Public Private Partnerships (PPP). Of particular relevance is the development of Local Strategic Partnerships (LSP), a non-statutory, multi-agency partnership based on local authority boundaries, bringing together members drawn from the public, private and voluntary and community sectors. Each type of partnering carries different risks for different parties.

The following is an example of an innovative partnership from Sunderland City Council which is 'risk-based' and has clear evidence of measurable, positive outcomes. A full description of this partnership, which won an ALARM award in 2007, can be found in Appendix 1. The importance of the key aspects of this partnership to any form of partnering arrangement will be discussed at various points in this report.

Sunderland Youth Offending Service Partnership (SYOSP)

This partnership, primarily involving the local authority, the police, the probation service, the fire and rescue service and the NHS, is an exercise in reducing crime and the fear of crime. In addition to these partners, other stakeholders from the wider community and the voluntary/not for profit sectors are involved. It is aimed at the young, recognising that as well as being the perpetrators of crime they are also the demographic group most likely to be the victims of crime.

Key aspects of the SYOSP are:

- Clear aims and objectives
- A recognition that the list of partners is not exhaustive and can be altered as the system matures
- Rigorous risk management policies and procedures
- Clearly expressed targets and expected outcomes
- Measurement and review systems
- Robust governance arrangements
- Comprehensive, and comprehensible, communications

Any potential or actual partnership can, however, present challenges, and a relatively recent report from the Audit Commission[1] succinctly describes the current partnership landscape facing the public sector:

Key findings

Local partnerships are essential to deliver improvements in people's quality of life, but:

- They bring risks as well as opportunities, and governance can be problematic;
- They may not deliver good value for public money, so local public bodies should ask searching questions about those they are engaged in;
- Clear accountability is needed between partners to produce better accountability to the public, including redress when things go wrong.

Source: Audit Commission (2005:2)

Partnerships, in various forms, are increasingly common and increasingly important in the public sector. These partnerships can take many forms, e.g. formal arrangements such as Strategic Service–Delivery Partnerships (SSPs) and Public Private Partnerships (PPPs) and looser, informal relationships with community groups or the 'third sector' (defined by the Cabinet Office[2] as encompassing "voluntary and community organisations, charities, social enterprises, cooperatives and mutuals both large and small").

For a number of reasons, public sector bodies have increasingly found themselves in partnership arrangements, with the intention of generating beneficial outcomes for the wider community and for the organisations involved in the partnership. True partnerships will be arrangements whereby all of the various stakeholders will work together in a way that will maximise the opportunities from the partnership. As always, however, the potential for benefits and reward also brings the potential for negative risks and, as recently identified in another Audit Commission[3] publication, much can be learned from these risks.

This guidance document focuses specifically on 'Partnership Risks', and is based on the discussions held at a Workshop in May 2008 held by the North East regional group of ALARM.

Many real and potential risks were identified by the Workshop participants, including such broad headings as:

- The danger of losing track of the number and identities of numerous partners
- Are all of your partnerships ones of choice and, if not, is there conflict and distrust between partners?
- Especially in public/private partnership arrangements, does each of the partners understand that a different ethos exists between the sectors?
- Are the terms of the contract explicit and the expectations and responsibilities of each partner clear?
- Are we able to separate the strategic issues and risks from the operational ones?
- Can our existing risk management systems and procedures cope with the new risks that a partnership may bring?

These examples are not an exhaustive list, but they, and others, were identified as important and acted as a catalyst for in-depth discussion on a whole range of strategic and operational risk issues and on the possible mechanisms for managing these.

1 Audit Commission (2005), Governing Partnerships: bridging the accountability gap
2 http://www.cabinetoffice.gov.uk/third_sector/about_us.aspx
3 Audit Commission (2008), For better, for worse: value for money in strategic service delivery partnerships

2. STRUCTURE OF ALARM NORTH EAST WORKSHOP

The Workshop, which took place on 16th May 2008 in Chester-le-Street, was attended by 45 participants from a wide cross section of public sector interests, e.g. local authorities, housing associations, fire and rescue authorities, the police service and from central Government. There was also representation from the private sector insurance industry.

Format for the morning-long programme

- Participants took a short time to reflect on their own perception of the issues and risks
- Five separate groups, aided by a facilitator and a scribe, then had their own discussions of the issues and risks
- The facilitator of each group then reported back in a plenary session
- The groups then reconvened to discuss solutions and examples of good practice
- The facilitators again reported back in a plenary session
- There was a final debrief/feedback session for facilitators and scribes

As with previous Workshops, maintaining focus within the group discussions was maximised by the use of a matrix of key issues and risks provided to facilitators (see Appendix 2). These issues had been pre-identified by the ALARM North East Executive and had not been circulated to participants prior to the Workshop. Although the matrix acted as a guide and as a prompt to discussion, it was not treated as a prescriptive document and ample opportunity existed to raise pertinent issues which were not contained in the matrix.

The overwhelming view from the feedback was that the event was highly informative, worthwhile and organised in such a way that it maximised individual input and retained a high level of interest.

PARTNERSHIP RISKS

3. ISSUES AND POTENTIAL RISKS

Introduction

Participants in the Workshop were encouraged to consider the key issues and risks associated with a wide range of partnerships; e.g. statutory and non-statutory, public/public and public/private and formal and informal. As an aid to identifying these issues and risks the following broad headings were suggested by ALARM North East:

- Assessing need
- Governance
- Finance
- Personnel
- Performance management

Within each of these headings there was a list of sub-headings intended to stimulate ideas and discussions. As would be expected with participants from a diverse range of organisations, certain issues and risks were of greater importance to some than to others. There was, however, a notable degree of consensus on what represented the significant issues that public bodies required to consider and the main risks that might flow from these issues. To best represent the views of the participants, this section will be structured around the broad headings identified above and the feedback from groups which discussed each.

Assessing need

A key initial consideration under this heading was that of the imperative driving any partnership i.e. was it mandatory or optional? Mandatory, or statutory, partnerships may offer fewer opportunities for options and choices, although there was broad agreement that these partnerships still require to be carefully managed. When the partnership was optional, it was recognised that there was a danger of following the current fashion for partnerships without, perhaps, asking the key question of whether one was really necessary. In effect, could the organisation achieve the desired outcomes more effectively and efficiently by delivering the service themselves?

Whatever the main drivers, there was a consensus view that any public sector organisation entering a partnership required to consider the strategic issues and priorities surrounding it. Examples identified included:

- What are the objectives, expected outcomes and likely benefits for each partner and for service users? It was identified that, especially in public/private partnerships there may be a disparity between these. In effect, the 'cultural fit' between the partners may not be as close as that found in public/public or public/third sector partnerships. Participants identified that the public sector were not always fully appreciative of the profit orientation of the private sector.
- The precise 'partnership lifecycle' must be clear. The danger associated with drift and 'project creep' was identified, as was the need to have a strategy to exit partnerships as objectives were achieved.

- In mandatory arrangements the requirements of central government needed to remain in focus, e.g. demonstrating engagement or sustainable communities.
- Strategic, and operational, management of any partnership is clearly crucial to success. A number of participants identified the success that they had experienced in applying project management principles to various partnerships, e.g. in specifically identifying and managing the expected contribution of each partner and in having detailed contingency plans in place.
- Associated with the above issue were those of joint understanding and shared purpose. It was identified that there was a danger of one partner, normally the lead organisation, having a clear idea of such issues as performance management, but others in the partnership being less informed. Consequently, it was recognised as essential that there was clarity and joint understanding on all matters and the need to incorporate 'health checks' at various stages of the partnership lifecycle which were not only effective, but also transparent. It was also identified as crucial for project leaders to understand the values, capabilities and capacities of all partners.
- The essence of a successful partnership was that it had to benefit communities and add value, preferably in a measurable way. It was recognised, however, that especially in public/public and public/third sector arrangements there may be perceived community and stakeholder benefits which are difficult to quantify and, to paraphrase Albert Einstein, "everything that counts cannot necessarily be counted".

Governance

This is an area that is increasingly important in many areas of public sector management, but it was highlighted by ALARM North East as being a particularly crucial issue in partnerships. It was a topic area which generated a large amount of discussion amongst participants, with a number of key issues being identified:

It was recognised that a 'partnership board' was an essential aspect of ensuring good governance. Such a board could be effective in the preliminary stages, e.g. in clearly defining roles and responsibilities and in obtaining agreement on objectives, and also during various stages of the partnership lifecycle. The membership constitution of the board must, however, receive detailed consideration, i.e. it must contain representatives from all interested stakeholders and feature those with the authority and skills to make decisions. It was identified, for example, that as partnership projects progressed there was a tendency for deputies, who lacked decision-making powers, to attend meetings. This could undermine the status and effectiveness of the board.

A major role of the board would be to regulate conduct, behaviour and any potential conflicts of interest. Transparency and rule-based systems were identified as key in this area.

The formality of governance arrangements was often affected by the nature of the partnership, e.g. some non-public/private partnerships existed in a fairly loose and informal manner. These forms of affiliation still, however, required appropriate management and decision-making frameworks and controls, although the reality is that these are often devised on an ad hoc basis. In more formal, contractual-based arrangements, it was identified that a firmer approach to, preferably 'plain English' written agreements was necessary. These arrangements must consider the expectations and needs of all partners and be very closely linked to the key objectives. A number of participants had experience of written agreements under two main headings:

1 **Memoranda of Association (MOA)** -
These documents, which must be capable of changing and evolving as partnerships develop, should be clear on such issues as terms of reference; roles, responsibilities and accountabilities; information and resource sharing; line management structure; and any exit strategy.

2 **Formal Partnership Agreements (FPA)** -
These documents should include similar terms to a MOA, but in addition set out precise details of financial resources; performance indicators and other measurement criteria; details on staffing; detailed and precise aims and objectives; any business plan; and the finite period of the partnership. Identified as key areas of both the MOA and FPA were those of roles and responsibilities. It was seen as axiomatic that these be closely linked to project objectives and for specific roles to be allocated, but it was equally recognised that possible organisational constraints and conflicts of interest needed to be identified.

- Participants closely linked decision-making and reporting, accountability and communication with effective governance. All of these operational aspects require to be unambiguous and clearly documented, with input from legal services where required. The reporting was considered to have two distinct, but interlinked, strands: internal reporting to the partnership board and external to all stakeholders. The accountability for and reporting of decisions should be set out in the FPA and participants identified that any reporting should be:
  - Regular and timely
  - Transparent
  - Comprehensive
  - Easily understandable, but meaningful
  - Dovetailed with other communication to ensure consistency and avoid duplication

  Where there were issues that could impact on openness and transparency it was considered necessary to carefully identify whether these are simply a by-product of cultural/organisational barriers, or if there are genuine concerns associated with confidentiality.

  Any communication strategy requires to be predicated in the belief that the process is two-way and should be able to manage the expectations of all stakeholders.

- Various corporate governance reports to focus heavily on internal control and various forms of audit. The Workshop participants also identified these issues as being crucial in the governance of partnerships. The arrangements for both internal control and internal and external audits should be clearly identified in the MOA and FPA and it was considered essential that all parties were in agreement with the arrangements prior to signing-up to the partnership. This could be part of the Annual Governance Statement (introduced in the Good Governance Framework by CIPFA SOLACE in 2007 and now a statutory requirement for Authorities in England).

  There was a consensus view that (provided good governance was being exercised) audits were not something that should be feared and an awareness of what was being audited, and when, could be an effective tool for keeping the partnership objectives in focus.

- An area which was identified as potentially problematic, although perhaps not always initially considered to be so, was that of procurement and the rules surrounding this. One of the issues is deciding whose procurement rules apply and establishing that each partner's own individual governance arrangements allow this. Once again, the MOA and FPA should outline the key aspects of procurement, covering elements such as what to procure, budgets, residual ownership and the procurement constraints, perhaps statutory, that some partners might face.

- Participants were unanimous in the view that risk management (RM) and business continuity planning (BCP) are essential elements of good governance. The point was strongly made that these should not be considered as options, but should form an integral part of the FPA. There was also unanimity in the view that the public sector organisation could utilise, with some modifications, their existing RM and BCP systems in the partnership, although it would be necessary to create a separate risk register for individual partnerships (along with a macro risk register for all partnerships) and agree terminology, methodology and risk ownership with all partners. Several specific BCP issues which were identified included, once again, partnership exit strategies, business impact analysis priorities and the potential for testing the plan.

Finance

Unsurprisingly, given the financially-related criticism which has been levelled at partnerships such as Private Finance Initiatives and the financial rigour expected of public sector bodies, the issue of finance was one which also generated a large amount of discussion. The key issues and risks which were identified were as follows:

- Value for money (VFM) was seen as being fundamental to any partnership arrangement. It was generally accepted, however, that the precise measurement of VFM was not a straightforward financial exercise; that public bodies would require to operate from a clear baseline from the outset; and that this required to be closely linked to the partnership objectives. Any VFM calculations would require to consider outputs linked to central government standards and whether the partnership was meeting the expectations of service users. Failure to demonstrate VFM, in terms of finance and service quality, increased the potential for reputation risk and a negative impact on external inspection results.

  Once again, participants identified that public/private partnerships had the greatest potential for negative VFM implications, reinforcing the need to exercise extreme care over such issues as contract specification and performance management frameworks. In all forms of partnerships, however, the need for regular and systematic community engagement was seen as crucial in achieving VFM.

- Budgets and budgeting implications were also identified as being significant issues. The existence of partnerships raises the likelihood of shared, or pooled, budgets and, although participants recognised that these could be financially efficient, they also identified a number of issues which would require to be considered and addressed. These included accountability, duplication of effort and the calculation of pooled targets. Suggested controls included identifying a lead partner for the pooled resources and effective audit systems.

  Whether there was a pooled budget or each partner held individual budgets, there were a number of implications which would necessitate awareness both at the planning stage and during the lifecycle of the project. Predominant amongst these were the strategic issues of the calculation of each partner's budget contribution, both monetary and of resources, and the financial liabilities attached to each partner. Included in these liabilities was the issue of tax. The different tax status of, for example, local authorities, charities and the private sector would require to be clarified in advance and, if necessary, expert advice sought.

  At an operational level, issues identified included the possibility of cost over-runs, budget shortfall, the failure of one or more key partners and the need to change the funding structure.

A number of control measures were identified as potentially useful, vis-à-vis ensuring the financial capacity and capability of various partners. As regards private sector partners, compliance with standard procurement rules; the use of a pre-qualification questionnaire; the early identification of legal remedies; strict use of contractual terms for revenue accounting; and robust systems of contingency planning were all seen as indispensable. Many of these may be less important in public/public and public/third sector arrangements, but nevertheless a systematic approach to monitoring and review and technical support for the voluntary sector were identified as important.

- It is highly likely that partnerships will procure or assume ownership of assets and resources. The issue of personnel is considered under a separate heading, therefore, this section only discusses the matters raised by participants relating to physical and financial assets. The initial capital investment was identified as being less problematic than ongoing revenue costs. To control these ongoing costs, it was considered crucial that a detailed business plan covering likely costs, and the responsibility for them, be devised prior to the capital investment being made. Costs and responsibility could also be monitored as part of a service level agreement.

  Issues surrounding the ownership, management and disposal of assets were also considered to be important. In particular, the statutory responsibility of public bodies required to be considered, as did how assets would be disposed of at the end of a partnership. Some participants raised the question of whether the public sector assuming the ownership of assets that, in effect, had served their purpose was something that should be avoided.

- The risks, both physical and legal, that would be introduced, or increased, as a result of entering partnerships meant that public sector bodies would, at least partially, look to insurance. Concerns were expressed regarding the potential for failure of one of the partners' insurance due, for example, to premium or conditions precedent to liability problems. This had the potential for the public sector - local authorities in particular - to be the risk bearer of last resort and to face unexpected financial outlay. Equally, there existed the potential for 'over-insurance' and the multiple purchases of duplicate insurance policies. It was identified that a well-understood model currently exists to address many of these concerns and that is the 'lead-insurer' method utilised in PFI contracts. Although relatively few partnerships will be formal PFIs, participants from the insurance sector were in no doubt that the principles were transferable to a range of partnerships.

- It is highly likely that financial responsibility will be delegated within the partnership and whilst this can have operational efficiency benefits it can also create potential problems. These were identified as including lack of clarity; ineffective monitoring systems; lack of commitment to delegation; uncertainty in roles and responsibilities; and variations in culture, customs and practice between partners. It was considered that many of these potential problems could be controlled by an effective service level agreement; the clear identification of the accountable partner(s); the agreement of procedures; and regular monitoring and review of practices.

Personnel

In the light of matters such as employment law responsibilities; organisational and cultural differences; agreements with trade unions; and employee reluctance to move to partnership organisations, this was identified by participants as, potentially, a highly problematic area. Various specific issues were discussed, although these could be distilled down to matters under two main headings; strategic issues surrounding the personnel that would be required by the partnership and how these personnel would be managed at a number of levels.

- It is self-evident that a partnership will need dedicated personnel if it is to function effectively and efficiently. These personnel may only need to be attached to the partnership for the lifecycle of the project, but during that period of attachment their commitment, expertise, training etc will be crucial to its success. At the initial stage of a partnership it was identified as essential that those at the top of the organisation make a commitment to: recruit the right personnel; ensure that competence and capability issues are addressed; offer clear routes to support; ensure that the operational coordination of partnership personnel will be in place; and outline specific HR responsibilities. A partnership will require a range of skills and expertise, but there are always likely to be key personnel. Ensuring continuity under this heading is essential, as are systems of 'succession planning'. The question of key personnel should be addressed as part of service continuity plans.

  Many participants identified that the exercise of allocating existing staff to partnerships was one thing, but acceptance of this by these workers could be quite a different matter. Issues surrounding loss of identity and professional standing and TUPE[4] requirements would all involve careful consideration and negotiation.

- The traditional employment cultures of the different partners are likely to be quite different, especially in public/private partnerships. Whatever the nature of the partnership, however, it was emphasised by participants that detailed personnel policies and procedures were required. These needed to be clearly documented and communicated, accessible to all and monitored and reviewed on a regular basis. Given the dominant role of a local authority in many partnerships, the issue of using the authority's policies and procedures as the basis for those of the partnership was raised. This might be the most acceptable option for many staff, but its effectiveness vis-à-vis the partnership needed to be assessed. Whether existing or bespoke policies and procedures are utilised, it was agreed by participants that a joint committee to monitor these and ensure adherence was vital.

At an operational level, management and supervision of personnel were seen as central to the effectiveness and efficiency of the partnership. Given that personnel may be drawn from a variety of partners, it was identified that there would be knowledge gaps and capability issues to be addressed, with those from the third sector most likely to be in need of training. Many employees would, however, be new to the practices of partnership working and all would require necessary, albeit time-consuming, training. This training must not be considered to be an optional extra, and a detailed training needs analysis should be undertaken to identify the partnership-specific issues which should be tackled.

4 The Transfer of Undertakings (Protection of Employment) Regulations 2006 (SI 2006/246) (TUPE 2006) is the main piece of legislation governing the transfer of an undertaking, or part of an undertaking. The regulations are designed to protect the rights of employees in a transfer situation enabling them to enjoy the same terms and conditions, with continuity of employment, as before.

Performance management

Many of the comments raised by Workshop participants under this final heading have already been covered in various guises under the preceding headings. It is worthwhile, however, to re-state some of the key points.

The growth in partnership working in recent years has been substantial. This has led to a situation where many public bodies are involved in a wide range of partnerships, with the attendant problems of managing these. Many participants favoured a ‘partnership register’, with significant partnerships identified and prioritised. Irrespective of the significance of the partnerships, however, it was seen as vital to have a performance management system that was closely linked to objectives and expectations. In particular, the extent to which the community had engaged with, or had been satisfied with, the partnership was seen as a crucial measure of success.

There were, however, concerns over the expression and measurement of objectives and performance targets. It was identified by participants that partnership objectives needed to be expressed in a language that was meaningful and understandable by all stakeholders. In addition, questions needed to be asked on the public perception of performance targets.

Although it was considered important to map each partner’s performance in relation to the objectives, it was recognised that there was a danger of measuring what was important to the partnership, rather than what was important to the community. Irrespective of this concern, it was considered vital that a strategy was in place to deal with an ‘under-achieving’ partner.

On the question of precisely how to measure performance, there was recognition that not all outcomes, whether positive or negative, could necessarily be expressed in quantitative terms. For a number of partners, e.g. in the voluntary sector, it was perceived that some positive outcomes would never lend themselves to quantitative measurement. The key in this case was seen as asking the correct questions concerning performance and asking them in an appropriate form.

Conclusion

These headings reflect the strategic and operational issues and risks which participants considered to be important in partnering arrangements. Many of these issues and risks are closely related and interlinked and they are not limited to specific forms of partnerships. As in many areas of public sector management, simplistic or generic approaches are unlikely to offer effective solutions, but there are a range of principles, techniques and practices which can act as a framework for action. This framework can be modified and adapted to assist in a range of partnership situations. In the next section, we explore examples of the principles, techniques and practices which were identified during group discussions and a plenary session.

PARTNERSHIP RISKS

4. MANAGING PARTNERSHIP RISKS - LESSONS LEARNED

In the second half of the Workshop, participants turned their attention less to identifying issues and more towards actions for dealing with them. This section is kept brief and to the point. It reflects the spirit of the group discussions 'on the day'. We have grouped the points according to a number of general themes.

Where are we now?

- **Better late than never in learning the lessons**
  A wide range of types of partnership now exist. The notion of the efficiencies of 'partnership' has been driven by government and become the fashion. It was not invented (in the sense that various joint working arrangements and understandings already existed) but collaborations have been greatly expanded as a result of government encouragement. In effect we have had an explosion in the number of partnerships – now we have to work out sensible ways of dealing with them.

- **A partnership register and a process of review**
  With hindsight we can think of many wise things that should have been done prior to entering partnership agreements. But clearly the reality is that many partnerships are already in existence and the public sector and its partners must deal with what is in place and concentrate on evolving the best approach to managing and reviewing them. Some partnerships will be fine but others will be difficult and perhaps should never have been entered into. The establishment of a Partnerships Register and a process of review is an obvious step.

- **Do not concentrate only on the big fish – small partnerships can still cause big problems**
  Do not focus only on the formal 'statutory' partnerships – the smaller, less formal arrangements also require attention. Even if their budget is modest the scope for inflicting damage on partners' reputations may be considerable. And in many cases an apparently small-scale partnership may still incur huge financial losses.

The early stages

- **Think before you 'partner'**
  The ideal plan is to get it right at the outset. Be sure a partnership is the best route to achieving the desired outcomes. Be clear about outcomes and objectives. Be clear about responsibilities. Do not enter into partnerships unless a shared purpose clearly exists.

  "…some of the partners feel excluded. There is a need, when a new partnership is being set up, not only to establish roles, responsibilities and the governance arrangements but, more importantly, the all important "bonding" between partners to ensure there is a common understanding of the partnerships objectives and those of the individual partners."
  (Workshop Participant)

- **Anticipate problems at the outset – and how they will be handled**
  Ideally, potential problems should be identified at the start of a partnership and the steps to resolve them built into a partnership agreement.

Essentials

- **Put it in writing**
  Whatever they are called, partnerships are a form of agreement – and that is best put in writing. Think of them all as contracts and get every aspect of the agreement down in writing. Not just to apportion blame after a disaster – but to routinely highlight commitments entered into by partners and to rein them back into line when needed.

- **Technical knowledge**
  There are very clear areas where expert technical knowledge is required and a situation cannot be tolerated where partners make their own arrangements in an uncoordinated way, e.g. insurance, especially property, public and employers' liability, and IT issues such as the Freedom of Information Act and the Data Protection Act.

People issues

- **Dealing with different organisational cultures**
  Partner organisations will have been created for different purposes and management styles will vary. So some tensions should not be a surprise. Ongoing partnership management, monitoring and review should reinforce the shared purpose to help overcome disagreements.

- **Partnerships mean 'people working together' – inevitably there may be tensions so be ready for them**
  There are many 'people' issues with partnership working. Highly experienced people and 'big' personalities may confidently pursue individual agendas rather than the partnership agenda. Clarity about who is in charge, about roles and responsibilities will help.

  "In terms of good partnership…the chair was an independent person (a university professor) who was prepared to take everyone to task, including the representatives from the accountable body."
  (Workshop Participant)

- **Too cosy / facing up to problems**
  We can also have the opposite of the overbearing leadership problem and have a situation when no-one takes clear ownership of aspects of a partnership, especially of risk management. Partners may be too polite and risk registers too 'woolly' because of a desire not to upset other partners or to generally expose weak areas across the partnership.

  "Bad ones [partnerships]….too many...but typically people don't accept there are problems until it's too late...more than often, where the accountable body chairs the Board and offers no inclusiveness / encourages no collective ownership, i.e. no spirit of true partnership."
  (Workshop Participant)

- **The most experienced public sector managers may not have the ideal skillset to be a top class partnership manager**
  There is a need to recognise that managing a partnership is different from managing, for example, a local authority service area. Some additional skills will be required.

Reputation

- **Local authorities may not get all the credit for a successful partnership but they will most likely get the blame for an unsuccessful one**
  Of all the partners in a partnership (of whatever kind), local authorities are predominantly the ones most held responsible for achieving the intended outcomes. The view is often one of 'why should other organisations take the lead when the local authority gets the money'. This view may be difficult to change but council officers need to be aware of such attitudes in understanding their partners' motives and thinking.

- **Keep a watch on the public perspective**
  Be aware of the public view on how a partnership is operating. Identify methods of obtaining the views of the end-user and monitoring the ways in which they receive their view of what the partnership is delivering, i.e. think carefully about your communications strategy.
- **Failure to deliver by one partner harms the reputation of all partners**
  Organisations are entrusting their reputation to others when they enter into partnerships. Keep this in mind when making agreements and when devising ways to check that partners are delivering.

Dealing with change

- **Shifting sands**
  Priorities can change, people can change, and political colour of the local authority can change. Thus it is necessary to have a robust system of review, monitoring and re-visiting of aims and exit routes.
- **Know when to quit (and how to manage a smooth exit)**
  There is a need to be realistic and to contemplate the 'exit strategy' should funding dry up or the objectives of the partnership become obsolete.

In the sub-section which follows, attention is turned to some examples of the 'official' guidance that exists on the subject of partnerships to examine what practical steps they outline. The guidance that does exist is largely 'principles based' and not in the form of detailed day-to-day practical value. It is interesting to note, however, that the pitfalls of partnering set out in the publications we examined, match very closely the views of Workshop participants. So lack of awareness of the potential problems is certainly not the main issue – rather the next step is designing-in routine safeguards.

Official guidance on partnerships

The Audit Commission's report 'For better, for worse: Value for money in strategic service-delivery partnerships', published in 2008, takes a close look at the particular form of partnership known as a 'strategic service-delivery partnerships' (SSP). It sits somewhere between the private finance initiative (PFI) and outsourcing. Discussions at the Workshop make it clear that partnership risk applies to a very wide range of types of collaboration, going well beyond links with a private sector partner and taking in, for example, another local authority, the NHS, a charity and other not-for-profit and community organisations. 'For better, for worse' highlights problems with SSPs that closely echo views expressed at the Workshop[5]:

> **Councils have secured many of the benefits they expected from their SSPs...but some have jeopardised the benefits by not managing the contracts that underpin SSPs effectively.**

- There are examples of inadequate investment in client-side contract management, inappropriate risk allocation and poor performance management.
- Some councils have relied unduly on the language or spirit of partnership, believing erroneously that contractors would pursue shared goals without incentives to do so.

- Private sector experience suggests that 60 to 70 per cent of strategic partnership arrangements between companies fail, and few meet expectations.
- Three of the earliest councils to adopt SSPs have terminated their agreements before their term, incurring additional costs.
- Even in continuing SSPs, purported benefits from economies of scale and transferred learning between sites have been slow to emerge.
- Some SSPs have proved inflexible, hindering councils' ability to respond to changing external circumstances.

The Audit Commission's 2005 report 'Governing partnerships: Bridging the accountability gap' is clear about the benefits and risks of partnership working[6]:

> **Partnerships can bring significant benefits.** They are a response to the complex and multi-faceted problems that face society and that cannot be tackled effectively by any individual body working alone. They can provide flexibility, innovation and additional financial and human capital resources to help solve problems. These are powerful incentives for organisations to work with others, and now all local public bodies work in partnership to different degrees. The distinction between statutory and voluntary partnership has, in effect, become blurred.
>
> **But partnerships also bring risks.** Working across organisational boundaries brings complexity and ambiguity that can generate confusion and weaken accountability. The principle of accountability for public money applies as much to partnerships as to corporate bodies. The public needs assurance that public money is spent wisely in partnerships and it should be confident that its quality of life will improve as a result of this form of working.

Asking the right questions

Back in 2005, the Audit Commission's 'Governing partnerships' report was clear about the actions needed to deal with partnership risk, including the following[7]:

> Local public bodies should be much more constructively critical about this form of working: it may not be the best solution in every case. They need to be clear about what they are trying to achieve and how they will achieve it by working in partnership. This clarity will come when public bodies ask themselves two broad questions about their partnerships.
>
> **How do partnerships add value?** Evidence that partnership working brings real benefits exists, but it is mainly qualitative and local. Partnership takes up a lot of time and other resources. It can therefore extract value as well as add to it but, remarkably, there is very little information about its impact. Not all organisations even know how many partnerships they are involved in.

5 Audit Commission (2008), For better, for worse: Value for money in strategic service delivery partnerships, p2-3
6 Audit Commission (2058) Governing Partnerships: Bridging the accountability gap, p2-3
7 Ibid, p2-3

Who is in charge of partnerships?

The Audit Commission's work in reviewing partnerships shows much commitment to this form of working at a local level, but also that things can easily go wrong. A third of those working in partnerships experience problems, according to auditors. These problems arise when governance and accountability are weak: leadership, decision-making, scrutiny, and systems and processes such as risk management are all under-developed in partnerships.

Workshop discussion suggests that the public sector has moved on since 2005 and that there is a widespread appreciation by those involved that there is a 'right way' and a 'wrong way' to govern partnerships. The issues associated with partnerships are much clearer 'on the ground' especially in local authorities. The key questions suggested in 'Governing partnerships' have evolved into comprehensive, yet, hopefully, user-friendly manuals, handbooks and toolkits. We look at examples of these in the next section. In various ways these give step by step guidance to help at the proposal/setting up stage and also with the ongoing management, monitoring and potential winding up process.

PARTNERSHIP RISKS
5. PRACTICAL EXAMPLES FROM THE PUBLIC SECTOR

During the course of the Workshop it was evident that many participants came from organisations that already had formal procedures, manuals, computer based toolkits, etc. which addressed many of the identified issues and risks. With the agreement of the relevant organisations, this section outlines a number of these (where indicated a fuller version is available to download via the ALARM website).

Sunderland City Council:
Code of Practice (CoP) for Partnerships

(see www.alarm-uk.org/publications.aspx for full document)

This CoP is aimed at all Members and Officers of the council. In addition, it is suggested that, "sharing this code with prospective partners may prove to be useful in developing the arrangements". It recognises the importance, and benefits, of partnerships at a both a policy and a service delivery level, although it is equally aware of the challenges that they bring. In many respects, the CoP reflects the views expressed by a range of Workshop participants, covering such aspects as:

- Definitions
- Successful partnerships
- Challenges of partnerships
- Assessing the need for partnerships
- Template for partnership agreements
- Membership of partnership boards and committees
- Financial matters
- Employment and secondment of staff
- Information sharing
- Risk management

Under many of these headings there are useful diagrams, checklists and algorithms which are helpful in the decision-making process. These are supplemented, and enhanced, by a 'Partnership Toolkit' covering all of the key areas. This toolkit contains much more detail on systems to ensure that the benefits of partnerships are maximised and that the management of negative risks is optimised. For example, under the heading of 'Risk Management' the toolkit contains model documents for:

1 A risk register

2 Guidance on risk categorisation (section on Risk Control shown below)

3 A checklist of risk areas to consider

RISK CONTROL

This involves the implementation of measures that will reduce the likelihood of the risk event occurring or reducing the impact of the consequences should it occur.

There are three control methods.

1 Avoidance

Whilst the best option is to avoid the risk altogether, this may not be practical in all cases. There may however be opportunities at the setting up of the Partnership to avoid risks. There may also be alternative ways of carrying out a function that involve less risk.

2 Reduction

Pre-loss reduction aims to reduce the likelihood of an event occurring, e.g. CCTV or Computer Virus.

Post-loss reduction aims to reduce the consequences of an event, e.g. fire doors or backing up of data.

3 Transfer

Contractual transfer of liability

Financial transfer, e.g. by insurance.*

*N.B. Insurance does not reduce the likelihood of events occurring and on its own can be the most expensive option.

At this stage consideration should be given to ensure that the cost of mitigation does not outweigh the cost of tolerating the risk. Financial cost/benefit should not be the only consideration. Therefore, the Partnership needs to exercise their judgement to assess this.

Extract from: Sunderland City Council (2008), 'Code of Practice for Partnerships'

Whilst other organisations would need to modify this CoP for their own particular circumstances, it does represent a very useful template for various forms of public sector organisation.

Darlington Borough Council: **Partnership Toolkit**

(see www.alarm-uk.org/publications.aspx for full document)

Rather than a traditional paper-based manual, Darlington BC has developed an interactive electronic toolkit, some of the main features of which are detailed below:

- Raises the issues which should be addressed in connection with the governance arrangements of a partnership.
- On the basis of specific choices (using tick boxes, yes/no radio buttons or drop-down menus) the user is channelled down different routes and asked the most relevant questions and challenged about appropriate issues.
- The toolkit has been developed with input from Council officials who also have regular involvement in partnership working; some even being DBC Lead Officers on Partnership Boards.
- It provides a ready-made record for a partnership register.
- It clearly flags up things that must be present or must be done at particular stages in the setting up, duration and end of a partnership.
- It automatically generates lists of action points with description, person responsible and due date. These are managed and monitored through a system of e-mail alerts and traffic light dashboard.
- It automatically provides links to a range of explanations/guidance e.g. how to conduct a risk assessment, records management, etc. together with contact details should further assistance/clarification be required.

All of the above could, of course, be provided on paper in a conventional manual. But it strives to overcome the tendency of manuals not to be read, or not to be read properly, and to gather dust on office shelves. We are all tending to become used to online form-filling and information access (whether buying insurance or airline flights for our personal use or accessing policies and procedures at work) and many will indeed now prefer this method.

It also ensures that the completed form remains as a working document and action points are completed as are annual reviews/assessments.

PARTNERSHIP RISKS

6. SUMMARY AND CONCLUSIONS

A large number of issues and risks were identified in the ALARM North East workshop that were not unique to either particular branches of the public sector or to specific forms of partnership. In addition, opportunities were taken to share examples of tried-and-tested solutions and good practice.

The reality for the public sector is that both the Westminster and the devolved governments are vigorously pursuing the use of partnerships in the delivery of many forms of public services. In a number of these, e.g. large-scale PFI contracts, there are strict rules and prescriptive arrangements surrounding the pre-partnering stage, the partnership itself and the time frame for the contract. Feedback from the Workshop would suggest, however, that these forms of partnership are in the minority and that public sector organisations require to devise their own management systems for the majority of their partnerships. The issues and risks which require identification and evaluation are discussed in Section 3, and it is evident from these that the public sector needs to tread carefully at the pre-partnership stage, the arrangement itself and the exit stage of that arrangement. The nature and extent of partnerships is such that, whilst an overall risk management framework is necessary, specific consideration is needed for each arrangement.

As discussed in Section 4, the Workshop participants identified a range of broad headings which would be helpful to any public sector body in its deliberations over how to manage partnership risks. These headings are not only applicable to the formal partnering arrangements, but also to the plethora of small-scale, informal partnerships which public sector organisations will frequently enter into.

Finally, Section 5 has outlined examples of how a number of local authorities have formalised their systems for managing all aspects of the wide range of partnerships that service departments may enter into. We are grateful to these authorities for sharing this information with the wider ALARM membership.

PARTNERSHIP RISKS
7. FURTHER READING

The ALARM website currently hosts a 'Partnership Hub'. This hub directs those interested in all aspects of partnerships and partnering arrangements to a range of websites. These websites will provide the reader with information from a number of perspectives. We would direct readers to the publication section of the ALARM website, at www.alarm-uk.org, if they wish to pursue further reading on this topic. We would also, however, recommend the following publications:

Audit Commission (2005),
Governing Partnerships: bridging the accountability gap
London

Audit Commission (2008)
For better, for worse: value for money in strategic service delivery partnerships
London

Improvement Partnership for North East Local Government (2006)
Delivery Plan 2006-08
Newcastle-upon-Tyne Association of North East Councils

Office of Government Commerce (2007)
Managing Contracts and Service Performance
http://www.ogc.gov.uk/delivery_lifecycle_managing_contracts_and_service_performance.asp

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